Altia
Half-Year Report

January-June 2018

ALTIA

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Altia Plc's Half-Year Report January–June 2018

Continued stable development despite a demanding operating environment

January–June 2018 compared to January–June 2017

- Reported net sales were EUR 160.6 (164.6) million and were impacted by unfavourable currency development
- Net sales were -2.4% compared to last year and -0.7% excluding currency impact
- Finland & Exports' net sales slightly above last year
- Scandinavia's net sales were at last year's level in constant currencies
- Net sales in Altia Industrial were below last year's level
- Comparable EBITDA was EUR 13.8 (13.4) million, which is 8.6% (8.2%) of net sales
- EBITDA was EUR 9.3 (12.8) million, 5.8% (7.8%) of net sales
- Net debt / comparable EBITDA (rolling 12 months) was 1.8 (0.6)

April–June 2018 compared to April–June 2017

- Reported net sales were EUR 87.1 (91.3) million and were impacted by unfavourable currency development
- Net sales in constant currencies were -2.8% compared to last year
- The timing of Easter impacts negatively a year-on-year comparison in the second quarter
- Comparable EBITDA was EUR 8.7 (9.2) million, which is 9.9% (10.0%) of net sales
- EBITDA was EUR 8.3 (9.0) million, 9.5% (9.9%) of net sales

- Guidance remains unchanged

Important note: This half-year report has been prepared in accordance with the International Financial Reporting Standards (IFRS) and IAS 34 Interim Financial Reporting as approved by the EU. The figures in the report are unaudited.

KEY FIGURES

	Q2 18	Q2 17	H1 18	H1 17	2017
Net sales, EUR million	87.1	91.3	160.6	164.6	359.0
Comparable EBITDA, EUR million	8.7	9.2	13.8	13.4	42.4
% of net sales	9.9	10.0	8.6	8.2	11.8
EBITDA, EUR million	8.3	9.0	9.3	12.8	40.3
Comparable operating result, EUR million	5.2	5.6	6.8	6.3	28.2
% of net sales	5.9	6.1	4.2	3.9	7.8
Operating result, EUR million	4.8	5.4	2.3	5.7	26.1
Result for the period, EUR million	3.6	3.9	1.7	4.7	18.3
Earnings per share, EUR	0.10	0.11	0.05	0.13	0.51
Net debt / comparable EBITDA, rolling 12 months	1.8	0.6	1.8	0.6	1.1
Average number of personnel	742	783	723	784	762

Reconciliation of alternative key ratios to IFRS figures is presented in the appendix on page 29.

CEO Pekka Tennilä:

We have had a financially stable first half of 2018. Our profitability improved in comparison to previous year despite a demanding operating environment with several external factors affecting Altia's business, such as the continued unfavourable currency development as well as cost pressures on key raw materials.

In January–June reported net sales amounted to EUR 160.6 (164.6) million. Net sales were impacted negatively by EUR 2.9 million due to the weak Swedish krona and Norwegian krone, and by lower net sales in the Altia Industrial segment. Comparable EBITDA was EUR 13.8 (13.4) million.

In the first half of the year, the Finland & Exports segment has grown slightly driven mainly by the Finnish retail business and exports. The Scandinavia segment's net sales were at last year's level in constant currencies. In total, the sales of beverages (Finland & Exports and Scandinavia segments together) grew by 0.5% in constant currencies. Altia's spirits sales have been impacted negatively by the generally lower volumes in the retail monopoly in Finland. The currency impact on the net sales of wine is considerable, but we have been able to gain market shares in the monopolies overall. In the Altia Industrial segment, the sales of industrial products are developing positively. However, lower contract manufacturing volumes due to continued phasing in the second quarter have decreased net sales. We expect contract manufacturing volumes to stabilise towards the end of the year.

Altia's second quarter reported net sales were EUR 87.1 (91.3) million. The main reasons for the lower net sales in comparison to last year, are the timing of Easter in Q1 in 2018 and in Q2 in 2017, partner portfolio changes in Sweden, and the continued unfavourable currency development. The negative currency impact on net sales in the second quarter was EUR 1.6 million.

Based on Altia's strategy we focus on our Nordic core brands which are performing well and growing. Further, we continue building distribution in Asia for Larsen Cognac and in the US for Koskenkorva Vodka and O.P. Anderson aquavit. Exports of Koskenkorva Vodka to Russia are progressing well. The addition of the new partner, Garcia Carrion, and their extensive wine portfolio, has improved our market position in the Swedish market. Altia's own wine brand, Chill Out, has had a good first half of the year. We have revamped the Chill Out design to further sharpen its position in the market. In the Finnish retail channel, we have launched Chill Out wine spritzers, and additional launches include a sugar free Koskenkorva Vichy and a low-alcohol version of Fresita sparkling wine. We are pleased with our product offering in retail, and we will continue to work hard to materialise the retail opportunity in Finland.

I am happy to announce that during the summer, Altia entered into a distribution agreement with the Swedish gin distillery, Hernö Gin. Hernö Gin produces a variety of craft gins which have been nominated as the world's best gin several times. The addition of one of the most aspirational gin brands in the world, as well as premium craft gins to our offering is the right step in developing our offering and partner business. The agreement covers the distribution of Hernö gins in the monopoly markets, the Baltic region and in travel retail. Following this and the addition of the Garcia Carrion portfolio, we have a considerably stronger portfolio in Sweden which will help us to mitigate the unfavourable currency development.

The exceptionally dry and warm summer in Finland is expected to have some impact on the barley harvest. Despite demanding conditions, the volume forecast from Natural Resources Institute Finland (Luke) for the barley crop is -13% in comparison to last year which is far more better than other grain forecasts. However, the extent of the impact on the yield and quality is to be seen during the third quarter. In any case, to ensure the efficiency of the Koskenkorva plant, we are preparing for alternative solutions where possible.

For different businesses we have different pricing mechanisms to take into account raw material price changes. Naturally in these circumstances, there is more pressure on pricing in beverages and industrial products, while we will continue a strict cost control and focus on further efficiency improvements.

Financial Review

Seasonality

There are substantial seasonal aspects affecting Altia's net sales and cash flow. The company typically generates large amounts of its revenue and cash flow during the fourth quarter of the year whereas the first quarter of the year is significantly lower. In addition, excise taxes related to high season at the end of the year are paid in January, resulting in negative cash flow at the beginning of the year.

Net sales

H1

In January–June, Altia Group's reported net sales amounted to EUR 160.6 (164.6) million, corresponding to a decrease of 2.4%. The Finland & Exports segment grew slightly. The unfavourable currency development of the Swedish krona, in particular, impacted net sales by approximately EUR -2.9 million. Altia Industrial's net sales are lower than last year due to lower contract manufacturing volumes.

The Nordic core brands have continued to develop well with stable growth. In spirits the main decrease comes from the overall Finnish market decline. In wine, despite declined reported net sales due to the currency impact, the volume share in the monopoly markets has increased.

Q2

Altia Group's reported net sales in the second quarter decreased by 4.5% to EUR 87.1 (91.3) million. In constant currencies net sales were -2.8% compared to last year. The negative impact of the weak Swedish krona and Norwegian krone on net sales was EUR 1.6 million. Further, partner portfolio changes in Sweden and the decreased net sales of Altia Industrial continued to impact Group net sales negatively. The timing of Easter affects the second quarter year-on-year comparison negatively.

NET SALES BY SEGMENT

EUR million	Q2 18	Q2 17	Change, %	H1 18	H1 17	Change, %	2017
Finland & Exports	35.4	35.7	-0.8	62.5	61.8	1.2	133.9
Scandinavia	27.4	29.7	-7.5	49.9	52.8	-5.5	123.7
Altia Industrial	24.2	25.9	-6.3	48.2	50.0	-3.6	101.3
Total	**87.1**	**91.3**	**-4.5**	**160.6**	**164.6**	**-2.4**	**359.0**

NET SALES BY PRODUCT CATEGORY

EUR million	Q2 18	Q2 17	Change, %	H1 18	H1 17	Change, %	2017
Spirits	30.7	32.7	-5.9	57.0	58.5	-2.4	125.9
Wine	30.0	30.6	-1.9	51.4	52.2	-1.4	124.7
Other beverages	2.1	2.3	-11.3	4.0	4.1	-4.2	8.4
Industrial products and services	24.2	25.9	-6.3	48.2	50.0	-3.6	101.3
Other	0.1	-0.2		0.0	-0.2		-1.3
Total	**87.1**	**91.3**	**-4.5**	**160.6**	**164.6**	**-2.4**	**359.0**

Profitability and result for the period

H1

In January–June, the comparable EBITDA, i.e. EBITDA excluding items affecting comparability (IAC), was EUR 13.8 (13.4) million, which is 8.6% (8.2%) of net sales. In January–June, items affecting comparability totalled EUR -4.5 (-0.6) million and are mainly related to the initial public offering of Altia. Reported EBITDA was EUR 9.3 (12.8) million, which equals an EBITDA margin of 5.8% (7.8%).

COMPARABLE EBITDA BY SEGMENT

EUR million	Q2 18	Q2 17	H1 18	H1 17	2017
Finland & Exports	4.6	5.2	8.0	8.3	19.6
Scandinavia	1.5	2.1	1.3	1.6	11.5
Altia Industrial	2.5	2.6	3.9	4.2	12.5
Other	0.2	-0.8	0.6	-0.7	-1.1
Total	**8.7**	**9.2**	**13.8**	**13.4**	**42.4**
% net sales	*9.9*	*10.0*	*8.6*	*8.2*	*11.8*

ITEMS AFFECTING COMPARABILITY

EUR million	Q2 18	Q2 17	H1 18	H1 17	2017
Comparable EBITDA	**8.7**	**9.2**	**13.8**	**13.4**	**42.4**
Net gains or losses from business and assets disposals	0.4	-	0.4	-	1.3
Cost for closure of business operations and restructurings	-0.1	-0.2	-0.3	-0.6	-1.1
Major corporate projects					
Costs related to the stock exchange listing	-0.7	-	-4.6	-	-2.4
Total items affecting comparability	**-0.4**	**-0.2**	**-4.5**	**-0.6**	**-2.1**
EBITDA	**8.3**	**9.0**	**9.3**	**12.8**	**40.3**

In January–June, other operating income amounted to EUR 3.5 (3.0) million, including proceeds of sales of fixed assets of EUR 0.5 (0.0) million; income from the sales of mainly steam, energy and water of EUR 1.7 (1.6) million; and rental income of EUR 0.7 (0.5) million.

Employee benefit expenses totalled EUR 27.1 (26.5) million, including EUR 20.8 (20.2) million in wages and salaries.

Other operating expenses amounted to EUR 36.7 (35.1) million.

Net financial expense amounted to EUR 1.2 (0.9) million. The share of profit in associates and income from interests in joint operations totalled EUR 0.9 (0.9) million.

Taxes for the first six months were EUR 0.3 (1.1) million which corresponds to an effective tax rate of 15.9% (18.5%).

The result for the period amounted to EUR 1.7 (4.7) million, and earnings per share were EUR 0.05 (0.13).

Q2

In the second quarter, the comparable EBITDA was EUR 8.7 (9.2) million, which is 9.9% (10.0%) of net sales. Items affecting comparability totalled EUR -0.4 (-0.2) million. Reported EBITDA was EUR 8.3 (9.0) million, which equals an EBITDA margin of 9.5% (9.9%).

Cash flow, balance sheet and investments

H1

In January–June, net cash flow from operations totalled EUR -26.7 (-7.1) million. Receivables sold amounted to EUR 55.5 (62.7) million at the end of the period.

The Group has a revolving credit facility of EUR 60.0 million (50.0), of which EUR 0.0 million (0.0) was in use at the end of the reporting period.

The Group's net debt amounted to EUR 77.4 (27.7) million at the end of June, and gearing was 56.7% (15.0%). The equity ratio was 35.2% (45.5%). The extra dividend payment of EUR 60.1 million in December 2017 impacts the balance sheet key ratios.

The nominal value of commercial papers issued amounted to EUR 13.0 (0.0) million at the end of the reporting period.

The reported net debt to comparable EBITDA ratio was 1.8 (0.6).

The total in the consolidated balance sheet decreased to EUR 388.0 (404.2) million.

In January–June 2018, gross capital expenditure totalled EUR 4.7 (5.8) million. Capital expenditure was primarily related to investments at the Rajamäki plant and the development of information systems.

Q2

In the second quarter, net cash flow from operations totalled EUR 0.3 (14.0) million. Last year in the same period, working capital was exceptionally good making the comparison to current year unfavourable. In addition, there were several factors impacting working capital needs in the second quarter. Inventories were temporarily higher than last year due to major product launch impact in contract manufacturing, stock in transit for exports, stock building and transfer of products from new partners, technical ethanol stock purchases as well as higher barley stock value. DSO (days outstanding sales) were at normal level, the increase in receivables is mainly due to expansion into new channels.

KEY FIGURES

	H1 18	H1 17	2017
Reported net debt / comparable EBITDA	1.8	0.6	1.1
Borrowings, EUR million	103.1	72.7	100.1
Net debt, EUR million	77.4	27.7	47.7
Equity ratio, %	35.2	45.5	34.3
Gearing, %	56.7	15.0	34.9
Capital expenditure, EUR million	-4.7	-5.8	-11.9
Total assets, EUR million	388.0	404.2	398.4

Market development in January–June

During the last two months of the period, the weather conditions have been exceptional in the Nordic region with warm and sunny weather starting in early May and continuing through the whole summer. The good weather could be linked with an increased sale of white, sparkling and rosé wines, and on the other hand with lower sales of red wine.

The Finnish Alcohol Act was changed at the beginning of 2018. The Alcohol Act allows ethanol-based beverages of up to 5.5 per cent alcohol by volume (ABV) to be sold in retail stores and the use of spirits brands in the products sold in retail stores. Prior to the change, both spirits brands and ethanol-based products were not allowed in traditional retail. In addition, the excise taxes on alcohol and alcoholic beverages were increased at the beginning of the year. For spirits the increase was 5%, for wines 13%, and for the other categories changes were between 7.2% and 12.9%. The Finnish operating environment is experiencing a transformation with implications also on the sales of the Finnish retail monopoly. However, the decrease in sales of ready-to-drink products in the Finnish retail monopoly has been about -40%.

During the first six months of the year, in the sea traffic between Helsinki and Tallinn specifically the number of passengers has decreased by 2.9% compared to the same period last year. In total, the number of passengers in the sea traffic from the port of Helsinki is down by 2.2%. According to recent research by the National Institute for Health and Welfare (THL), the amount of the private import of alcoholic beverages measured in 100% ABV has decreased by 23.1% during 5/2017–4/2018 in comparison to the previous 12-month period.

In Estonia, the excise taxes for alcohol changed from 1 February 2018. The excise taxes were increased by 5% in the spirits category, 20% in the wine category and 9% in the beer category. A renewed legislation on alcohol advertising is effective as of 1 June 2018 in Estonia. The new act further limits the advertising of alcohol, for example alcoholic beverages cannot be visible from outside the store, advertisements must contain minimum information, focus on the product and be presented without any references to positive effects, and outdoor advertising is prohibited. In Latvia, the excise taxes for alcohol changed from 1 March 2018. The excise taxes were increased by 15% in the spirits category, 18% in the wine category and 51% in the beer category. Following the changes in excise taxes in Estonia, the border trade in Latvia has increased and is expected to grow further.

The following table illustrates the trends in the sales of wine and spirits in the retail monopolies in Finland, Sweden and Norway. The figures are based on the sales volumes by litre published by the retail monopolies (Alko, Systembolaget and Vinmonopolet).

DEVELOPMENT OF WINE AND SPIRITS SALES IN THE NORDIC RETAIL MONOPOLIES

% change compared to previous year	Q2 18*	Q2 17*	H1 18	H1 17	2017
Finland, total sales	-5.5	+1.3	-2.4	-0.7	-0.2
Spirits	-5.5	+0.1	-2.7	-1.0	-0.4
Wine	-5.6	+1.7	-2.2	-0.5	-0.1
Sweden, total sales	-0.2	+3.2	+2.3	+0.1	+0.2
Spirits	-1.6	+4.3	+3.2	+0.0	+0.9
Wine	-0.1	+3.2	+2.2	+0.2	+0.2
Norway, total sales	-3.2	+6.8	+2.3	-1.7	-1.1
Spirits	-5.1	+5.0	+1.1	-0.3	-0.9
Wine	-2.8	+7.1	+2.5	-1.9	-1.1

*) Please note that the Q2 comparisons are affected by the timing of Easter: 2018 in March, 2017 in April and 2016 in March.

Finland

In January–June, the Finnish retail monopoly's sales of wine and spirits were down by 2.4% in comparison to the same period last year.

The spirits category was down by 2.7% driven by an overall negative trend in white spirits where the lower sales of unflavoured vodkas continued. The gin category continues to grow. Other growing spirits categories were XO cognacs, American whiskey, Irish whiskey, Scotch malt whisky and dark rum. Wine sales were down by 2.2% driven by lower sales of red wine. Rosé wines have experienced a double-digit growth, and the sale of sparkling and white wine also grew slightly. The sale of non-alcoholic beverages has increased.

Sweden
In January–June, the Swedish retail monopoly's sales of wine and spirits continued to grow by 2.3% in comparison to the same period last year. Growth was driven mainly by strong sales during Easter and the weather conditions.

The spirits category grew by 3.2%, driven by good sales of gins, aperitifs/bitters, other liqueurs (shots), dark rums, both flavoured and unflavoured vodka and bourbon whiskies. The wine category's overall growth was 2.2%. Sparkling wines saw the fastest growth in the wine category, followed by rosé wines. Red wines continue to lose shares to lighter varietals. The sale of non-alcoholic beverages has increased.

Norway
In January–June, the Norwegian retail monopoly's sales of wine and spirits continued to grow by 2.3% in comparison to the same period last year.

The spirits sales grew by 1.1% driven by liqueurs and gin, which are balancing off the negative development within grape spirits and vodka. The wine category grew by 2.5% with white, rosé and sparkling wines driving growth. Red wine continues to lose its share.

Business Review

Finland & Exports

The Finland & Exports segment comprises the import, sale and marketing of wine and spirits, and other beverages in Finland and the Baltics, as well as exports and travel retail.

EUR million	Q2 18	Q2 17	Change, %	H1 18	H1 17	Change, %	2017
Net sales	35.4	35.7	-0.8	62.5	61.8	1.2	133.9
Comparable EBITDA	4.6	5.2	-12.5	8.0	8.3	-3.5	19.6
Comparable EBITDA, % of net sales	12.9	14.6		12.8	13.5		14.6
Average number of personnel	97	101		96	102		100

EUR million	Q2 18	Q2 17	Change, %	H1 18	H1 17	Change, %	2017
Spirits	19.6	19.9	-1.5	35.9	35.8	0.3	76.1
Wine	15.2	15.5	-1.5	25.6	25.3	1.1	56.3
Other beverages	0.5	0.4	34.4	1.0	0.6	56.1	1.3
Other	0.1	0.0					0.2
Total	**35.4**	**35.7**	**-0.8**	**62.5**	**61.8**	**1.2**	**133.9**

Net sales
In January–June, net sales in the Finland & Exports segment increased by 1.2% and were EUR 62.5 (61.8) million. The Finnish retail business and exports are driving growth. However, the general monopoly spirits sales have decreased, also impacting Altia's spirits sales. In travel retail, Altia has made openings at new airports, but is in general at a lower level than last year. Sparkling and rosé wines are driving growth in wines.

The second quarter net sales in the Finland & Exports segment decreased by 0.8% and were EUR 35.4 (35.7) million. The timing of Easter impacts the year-on-year comparison in the second quarter negatively.

Comparable EBITDA

In January–June, the comparable EBITDA was EUR 8.0 (8.3) million, which equals a comparable EBITDA margin of 12.8% (13.5%). Profitability is impacted by the overall market development in spirits, product mix, and in travel retail.

In the second quarter, the comparable EBITDA was EUR 4.6 (5.2) million, which equals a comparable EBITDA margin of 12.9% (14.6%).

Business events

During the first half of 2018, the Koskenkorva Vodka brand renewal and the Vodka from a Village marketing communications campaign continued to gain recognition with two prestigious awards: the Grand Effie Awards Finland 2017 and "The Best Campaign of the Year" in the AdProfit competition.

Since January, Altia has built the distribution in the Finnish retail channel with several new products in the low-alcohol category. Products have been launched under the iconic spirits brands, such as Koskenkorva Vichy, Koskenkorva Pure and Koskenkorva Village series as well as Jaloviina and Leijona long drinks. New products have also been launched within the wine segment with Fresita sparkling wine and Chill Out wine spritzers.

Altia continuously brings novelties to the Finnish retail monopoly in both spirits and wine segments. For instance, in the growing rosé wine category, Altia has launched eight new rosé wines both with own brands and partner brands.

In May, Altia opened a webshop for Nordic alcoholic beverages (www.nordicspirits.com) in Germany. The webshop is an addition to Altia's existing digital platforms, and complements traditional exports channels. The portfolio includes Altia's most popular beverage brands, such as Koskenkorva Vodka, O.P. Anderson Aquavit, Xanté, Larsen Cognac and Blossa Glögg.

We are strengthening our foothold in the Baltic region and have signed a new distributor in Lithuania focusing on the distribution of our Nordic core brands.

Scandinavia

The Scandinavia segment comprises the import, sale and marketing of wine and spirits, and other beverages in Sweden, Norway and Denmark.

EUR million	Q2 18	Q2 17	Change, %	H1 18	H1 17	Change, %	2017
Net sales	27.4	29.7	-7.5	49.9	52.8	-5.5	123.7
Comparable EBITDA	1.5	2.1	-32.3	1.3	1.6	-16.7	11.5
Comparable EBITDA, % of net sales	5.3	7.2		2.7	3.0		9.3
Average number of personnel	87	85		86	86		86

EUR million	Q2 18	Q2 17	Change, %	H1 18	H1 17	Change, %	2017
Spirits	11.1	12.7	-12.7	21.1	22.6	-6.7	49.8
Wine	14.8	15.1	-2.3	25.8	26.9	-3.8	68.5
Other beverages	1.6	2.0	-19.9	3.0	3.5	-14.8	7.0
Other	0.0	-0.2		0.0	-0.2		-1.5
Total	**27.4**	**29.7**	**-7.5**	**49.9**	**52.8**	**-5.5**	**123.7**

Net sales

In January–June, the net sales of the Scandinavia segment decreased by 5.5% and were EUR 49.9 (52.8) million. The negative foreign exchange impact in the first half of the year has been approximately EUR 2.8 million. Excluding foreign exchange impact, the segment's net sales were on last year's level.

In Sweden wine is performing well supported by the good development of sparkling and rosé wines together with the new partner portfolio from Garcia Carrion. Spirits sales in Norway have grown.

The second quarter reported net sales of the Scandinavia segment decreased by 7.5% and were EUR 27.4 (29.7) million. The negative impact of the weak Swedish krona and Norwegian krone was EUR 1.5 million. Partner portfolio changes in Sweden have impacted negatively on spirits sales. The timing of Easter impacts the year-on-year comparison in the second quarter negatively.

Comparable EBITDA

In January–June, the comparable EBITDA decreased to EUR 1.3 (1.6) million which equals a comparable EBITDA margin of 2.7% (3.0%). The weak Swedish krona and Norwegian krone are the main reason for driving the profitability down.

In the second quarter, the comparable EBITDA was EUR 1.5 (2.1) million, which equals a comparable EBITDA margin of 5.3% (7.2%).

Business events

Altia has actively launched new products in the Swedish retail monopoly during the first half of the year. The Explorer brand was extended with a two-tap bag-in-box which includes two different ready-to-drink cocktails, and the Xanté brand was extended with Xanté Sour which has a lower ABV. Further, there were several new launches in the wine segment both with own and partner brands especially in the rosé and sparkling wine categories.

Altia's own wine brand, Chill Out was revamped with a new design and new packaging to further strengthen the brand as the most contemporary lifestyle wine brand in the region.

Altia is the exclusive representative of García Carrión's wine portfolio in Sweden and the distributions to the Swedish retail monopoly started in June. As a result, Altia improved its market position and is now the third largest wine supplier to the Swedish retail monopoly.

During the period, Altia has entered into a distribution agreement with the Swedish gin distillery, Hernö Gin. Hernö Gin produces a variety of premium craft gins which have been nominated as the world's best gin several times. The agreement covers the distribution of Hernö gins in Sweden, Norway and Finland as well as in Estonia, Latvia and travel retail. The distributions will start in September.

In Norway, Altia's market position has strengthened especially in spirits and also with new launches in the wine category. As an example, Altia's own wine brand Signature Series was extended with a new red wine. Further, in the spirits segment there were launches with Explorer and Koskenkorva.

Altia Industrial

The Altia Industrial segment comprises Koskenkorva plant operations, starch, feed component and technical ethanol businesses, as well as contract manufacturing services at Rajamäki. It also includes supply chain operations, i.e. production operations in different countries, customer service and logistics.

EUR million	Q2 18	Q2 17	Change, %	H1 18	H1 17	Change, %	2017
Net sales	24.2	25.9	-6.3	48.2	50.0	-3.6	101.3
Comparable EBITDA	2.5	2.6	-4.3	3.9	4.2	-7.8	12.5
Comparable EBITDA, % of net sales	10.2	10.0		8.1	8.4		12.3
Average number of personnel	446	472		429	468		452

Net sales
In January–June, Altia Industrial's net sales decreased by 3.6% and were EUR 48.2 (50.0) million. The good demand of the industrial products, starch, feed component and technical ethanols, have continued throughout the first half of the year, but the lower contract manufacturing volumes during the period are driving overall net sales down.

Altia Industrial's net sales in the second quarter decreased by 6.3% and were EUR 24.2 (25.9) million driven by the continued lower contract manufacturing volumes.

Comparable EBITDA
In January–June, the comparable EBITDA amounted to EUR 3.9 (4.2) million, driven by lower contract manufacturing volumes at Rajamäki alcoholic beverage plant. The comparable EBITDA margin was 8.1% (8.4%).

In the second quarter, the comparable EBITDA was EUR 2.5 (2.6) million, which equals a comparable EBITDA margin of 10.2% (10.0%).

Production volumes and key projects
During the first half of the year, the Rajamäki alcoholic beverage plant in Finland has produced 29.1 (29.9) million litres of spirits and wine.

The strong demand on industrial products has enabled the Koskenkorva plant to run at full capacity and more efficiently during the first six months of the year. The plant's volumes were up by 4.6% compared to the previous year which was enabled by the increased starch production capacity.

The use of grain at the Koskenkorva plant reached a record-high of 107.6 (102.8) million kilos. Grain spirits production was 11.3 (11.5) million kilos including technical ethanols, starch production was 35.2 (31.9) million kilos and feed component production was 30.9 (29.3) million kilos.

At the Koskenkorva plant the investment to increase starch capacity was finalised and a new process automation system has been taken into use. At the Rajamäki alcoholic beverage plants investments to increase efficiencies and capabilities have been completed with a new filler in wine production and a new depalletiser.

Key events during January–June 2018
The key events during the period were:

- 23 February: Altia Plc's Financial Statements Bulletin 2017
- 23 February: Altia is planning an initial public offering and listing on the Official List of Nasdaq Helsinki
- 23 February: Altia's Extraordinary General Meeting on 22 February 2018 appointed Jukka Ohtola as a new member of Altia's Board of Directors. Jukka Ohtola serves as Ministerial Adviser in the Ownership Steering Department of the Prime Minister's Office.
- 8 March: The Annual General Meeting held on 1 March 2018 elected Sanna Suvanto-Harsaae as the chair of the Board of Directors of Altia Plc and Kai Telanne as the vice chair. Further, the AGM elected Kim Henriksson, Annikka Hurme, Tiina Lencioni, Jukka Ohtola and Torsten Steenholt as members of the Board of Directors.
- 12 March: Altia Plc applies for its shares to be listed on the official list of Nasdaq Helsinki Ltd; the Finnish language prospectus has been published
- 23 March: Trading of Altia's share on Nasdaq Helsinki commences
- 4 May: Q1 Business Review
- 18 May: Altia has opened international webshop for Nordic alcoholic beverages (nordicspirits.com)

Altia's share

Altia's shares are listed on the Nasdaq Helsinki. All shares carry one vote and have equal voting rights. The trading code of the shares is "ALTIA", and the ISIN code is FI4000292438.

Issued shares and share capital

At the end of June 2018, Altia Plc's share capital amounted to EUR 60 480 378.36 and the number of issued shares was 36 140 485.

Shareholders and trading

At the end of June 2018, Altia had 17 872 shareholders. The closing price of Altia's share on 29 June 2018 was EUR 8.727 and the market capitalisation was approximately EUR 315 million.

10 LARGEST SHAREHOLDERS (AT THE END OF THE PERIOD, 29 JUNE 2018)

	Shareholder	Number of shares	% of shares	Change compared to 29 Mar 2018, %
1	Prime Minister's Office	13 097 481	36.2	1.1
2	Varma Mutual Pension Insurance Company	1 200 000	3.3	0.0
3	Ilmarinen Mutual Pension Insurance Company	1 100 000	3.0	0.0
4	OP-Finland Small Firms Fund	474 779	1.3	35.7
5	Veritas Pension Insurance Company Ltd.	400 000	1.1	0.0
6	Mandatum Life Unit-Linked	281 064	0.8	-0.1
7	Säästöpankki Pienyhtiöt	275 481	0.8	-8.2
8	Säästöpankki Kotimaa	150 000	0.4	0.0
9	Erikoissijoitusrahasto Visio Allocator	126 255	0.3	-76.0
10	Sijoitusrahasto Taaleritehdas Arvo Markka Osake	120 000	0.3	-20.0
	Total	**17 225 060**	**47.7**	**-1.8**
	Nominee-registered shares	11 275 081	31.2	6.8

Source: Euroclear Finland

OWNERSHIP STRUCTURE BY SECTOR (AT THE END OF THE PERIOD, 29 JUNE 2018)

Sector	Number of shares	% of shares
Public sector	15 803 873	43.7
Financial and insurance corporations	12 542 070	34.7
Households	6 182 014	17.1
Non-financial corporations	1 292 829	3.6
Non-profit institutions	255 438	0.7
Rest of the world	64 261	0.2
Total	36 140 485	

Source: Euroclear Finland

Personnel

During January–June 2018, Altia Group employed on average 723 (784) persons. At the end of June, Altia Group employed 764 (795) persons, of whom 479 (481) were employed in Finland, 117 (123) in Sweden, 20 (30) in Denmark, 29 (30) in Norway, 34 (38) in Latvia, 63 (68) in Estonia, and 22 (25) in France.

Corporate Responsibility

For Altia, responsibility is both a strategic priority and a key success factor in business. The aim of Altia's efforts in the area of responsibility is to build sustainable long-term business for Altia. Altia wants to promote a modern and responsible Nordic drinking culture in its operating countries in accordance with the company's purpose, Let's Drink Better.

The focus areas of Altia's responsibility work are divided into four cornerstones of responsibility: Altia & Customers, Altia & Society, Altia & Environment and Altia & Employees.

The cornerstones are based on Altia's purpose and strategy, stakeholder expectations, the company's own operating principles and codes of conduct, as well as the amfori BSCI Code of Conduct, which in turn is based on key international agreements protecting workers' rights. Altia has joined the amfori BSCI initiative and aims at annually increasing the traceability and transparency of product and raw material supply chains.

Altia has defined a group level corporate responsibility action plan for 2018-2020, based on its strategy and responsibility cornerstones, where prioritized actions for 2018 have been included in the business' annual operating plans.

Altia Group launched its new Code of Conduct in May 2018 to further highlight the company commitment to responsibility, transparency and integrity. Each Altia salaried employee will be trained with the Code of Conduct during 2018. The Code of Conduct is available on Altia's website at www.altiagroup.com.

Occupational safety is a vital part of Altia's corporate responsibility. Altia aims at reducing the number of accidents and absences caused by accidents. Various occupational safety actions were conducted across different Altia sites during the first half of 2018. All Altia Finnish units were provided with digital infoscreens to share information on occupational safety and to follow the number of accident free days. Safety workshops were held for Rajamäki plant personnel. As a result of various safety related actions, the reporting of near-miss situations has successfully increased at the plant. At the Koskenkorva plant, during the reporting period, an occupational safety e-training was conducted for the whole personnel. Electric safety training was implemented for partners working at the plant and is compulsory to be passed before entering the plant. Furthermore, several safety related campaigns were held within the company such as the 'pidä kiinni kaiteesta' campaign in Finland.

Short-term risks and uncertainties

There have been no significant changes in the short-term risks of Altia Group's operations during the review period.

The most significant uncertainties in the company's operations relate to the overall economic development and its impacts on consumption, as well as the effects of alcohol taxes and legislation on consumer behaviour. Unexpected and unforeseen disruptions in production and deliveries form the major short-term risks related to operations, as well as sudden and significant changes in the prices of raw materials, especially related to barley.

Altia Plc's Board of Directors has confirmed the Group Risk Management Policy. Risk management is aimed at supporting the implementation of Altia Group's strategy, the identification of risks and methods for reducing the probability and impacts of risks, as well as ensuring business continuity. Risks may arise from internal or external events.

Outlook for 2018

Market outlook

The development of the Group's business operations and profitability are affected by factors such as the market situation and competitive environment, economic outlook, imports by consumers and changes in alcohol taxation. The uncertainty in the eurozone and changes in customers' buying behaviour are continuing. There is still significant uncertainty related to the development of consumer demand. Raw material prices and currencies are expected to remain volatile.

Seasonality

Sales in the sector are seasonal, with net sales and operating profit generally being significantly higher in the fourth quarter of the year compared to other quarters.

Guidance

The positive trend in Altia's core brand portfolio is expected to continue. Cost increases in key raw materials and expansion in exports will impact profitability development. The unfavourable currency impact of the weak Swedish krona and Norwegian krone is expected to continue.

Guidance as published on 23 February 2018 remains unchanged: The Group's comparable EBITDA is expected to improve or be at the 2017 level.

Financial calendar for 2018

Altia will publish the Business Review for January–September on 6 November 2018 at around 8:30 am EET.

Helsinki, 9 August 2018
Altia Plc
Board of Directors

Additional information:

Pekka Tennilä, CEO
Matti Piri, CFO

Contacts:

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Conference call and audio webcast:

Altia will host a conference call and audio webcast for analysts and investors in English on Friday 10 August 2018 at 11 am EET.

CEO Pekka Tennilä and CFO Matti Piri will present the Half-Year Report, after which conference call participants will have the opportunity to ask questions. Presentation material will be made available before the call begins on Altia's website at: https://altiagroup.com/investors.

Conference call participants are requested to dial in and register a few minutes earlier on the following numbers:

- Finland: +358 981 710 495
- Sweden: +46 8 566 427 02

- United Kingdom: +44 203 194 05 52
- US: +1 855 716 15 97

The conference call can also be followed online. To join the audio webcast, please go to:
https://altia.videosync.fi/2018-08-10-q2

A recording of the audio webcast will be available later at Altia's website:
https://altiagroup.com/investors

Distribution:

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www.altiagroup.com

ALTIA

Consolidated income statement

EUR million	Q2 18	Q2 17	H1 18	H1 17	2017
NET SALES	87.1	91.3	160.6	164.6	359.0
Other operating income	2.0	1.6	3.5	3.0	8.3
Materials and services	-49.1	-52.2	-91.0	-93.2	-202.0
Employee benefit expenses	-12.9	-13.2	-27.1	-26.5	-52.0
Other operating expenses	-18.8	-18.5	-36.7	-35.1	-72.9
Depreciation, amortisation and impairment	-3.5	-3.5	-7.0	-7.1	-14.2
OPERATING RESULT	**4.8**	**5.4**	**2.3**	**5.7**	**26.1**
Finance income	0.8	1.6	1.6	1.8	4.5
Finance expenses	-1.4	-2.0	-2.8	-2.7	-6.4
Share of profit in associates and income from interests in joint operations	0.0	0.0	0.9	0.9	0.9
RESULT BEFORE TAXES	**4.2**	**5.0**	**2.0**	**5.7**	**25.0**
Income tax expense	-0.7	-1.1	-0.3	-1.1	-6.7
RESULT FOR THE PERIOD	**3.6**	**3.9**	**1.7**	**4.7**	**18.3**
Result for the period attributable to:					
Owners of the parent	3.6	3.9	1.7	4.7	18.3
Earnings per share for the result attributable					
to owners of the parent, EUR					
Basic and diluted	0.10	0.11	0.05	0.13	0.51

Consolidated statement of comprehensive income

EUR million	Q2 18	Q2 17	H1 18	H1 17	2017
Result for the period	3.6	3.9	1.7	4.7	18.3
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss					
Remeasurements of post-employment benefit obligations	-	-	-	-	-0.0
Related income tax	-	-	-	-	0.0
Total	-	-	-	-	-0.0
Items that may be reclassified to profit or loss					
Cash flow hedges	0.4	0.1	1.2	0.1	1.4
Available-for-sale financial assets	-	-	-	-	0.6
Translation differences	-1.0	-1.6	-4.4	-1.5	-4.0
Income tax related to these items	-0.1	-0.0	-0.2	-0.0	-0.3
Total	-0.7	-1.5	-3.5	-1.4	-2.3
Other comprehensive income for the period, net of tax	-0.7	-1.5	-3.5	-1.4	-2.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2.9**	**2.4**	**-1.8**	**3.2**	**16.0**
Total comprehensive incom attributable to:					
Owners of the parent	2.9	2.4	-1.8	3.2	16.0

ALTIA

Consolidated balance sheet

EUR million	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Non-current assets			
Goodwill	80.1	82.8	82.1
Other intangible assets	31.8	36.0	34.4
Property, plant and equipment	66.5	69.3	67.4
Investments in associates and interests in joint operations	7.6	7.6	7.6
Available-for-sale financial assets	1.4	0.8	1.4
Other receivables	-	-	1.0
Deferred tax assets	0.9	5.0	1.0
Total non-current assets	**188.4**	**201.5**	**194.8**
Current assets			
Inventories	109.6	101.6	94.5
Trade and other receivables	59.7	53.3	53.9
Current tax assets	4.7	2.8	2.8
Cash and cash equivalents	25.7	45.1	52.4
Total current assets	**199.6**	**202.7**	**203.6**
TOTAL ASSETS	**388.0**	**404.2**	**398.4**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	60.5	60.5	60.5
Invested unrestricted equity fund	1.2	-	-
Fair value reserve	0.6	-	0.6
Hedge reserve	0.6	-1.3	-0.3
Translation differences	-20.5	-13.8	-16.0
Retained earnings	94.0	138.7	92.0
Total equity	**136.4**	**184.1**	**136.8**
Non-current liabilities			
Deferred tax liabilities	16.7	20.3	17.7
Borrowings	83.4	64.9	89.1
Provisions	-	-	-
Employee benefit obligations	1.4	1.7	1.3
Total non-current liabilities	**101.5**	**86.9**	**108.2**
Current liabilities			
Borrowings	19.7	7.8	11.0
Provisions	-	0.4	-
Trade and other payables	127.5	122.7	137.4
Current tax liabilities	2.9	2.3	5.0
Total current liabilities	**150.1**	**133.2**	**153.4**
Total liabilities	**251.6**	**220.1**	**261.6**
TOTAL EQUITY AND LIABILITIES	**388.0**	**404.2**	**398.4**

Consolidated statement of changes in equity

Equity attributable to owners of the parent							
EUR million	Share capital	Invested unrestricted equity fund	Fair value reserve	Hedge reserve	Trans-lation diffe-rences	Retained earnings	Total equity
Equity at 1 January 2017	**60.5**	**-**	**-**	**-1.4**	**-12.3**	**144.5**	**191.3**
Total comprehensive income							
Result for the period	-	-	-	-	-	4.7	4.7
Other comprehensive income (net of tax)							
Cash flow hedges	-	-	-	0.1	-	-	0.1
Translation differences	-	-	-	-	-1.5	-0.0	-1.5
Total comprehensive income for the period	**-**	**-**	**-**	**0.1**	**-1.5**	**4.7**	**3.2**
Transactions with owners							
Dividend distribution	-	-	-	-	-	-10.4	**-10.4**
Total transactions with owners	-	-	-	-	-	-10.4	**-10.4**
Equity at 30 June 2017	**60.5**	**-**	**-**	**-1.3**	**-13.8**	**138.7**	**184.1**
Equity at 1 January 2018	**60.5**	**-**	**0.6**	**-0.3**	**-16.0**	**92.0**	**136.8**
Change in accounting principle	-	-	-	-	-	0.1	0.1
Equity at 1 January 2018, restated	**60.5**	**-**	**0.6**	**-0.3**	**-16.0**	**92.1**	**136.9**
Total comprehensive income							
Result for the period	-	-	-	-	-	1.7	1.7
Other comprehensive income (net of tax)							
Cash flow hedges	-	-	-	0.9	-	-	0.9
Translation differences	-	-	-	-	-4.5	0.0	-4.4
Total comprehensive income for the period	**-**	**-**	**-**	**0.9**	**-4.5**	**1.8**	**-1.8**
Transactions with owners							
Share issue	-	1.2	-	-	-	-	**1.2**
Share based payment, personnel offering	-	-	-	-	-	0.1	**0.1**
Total transactions with owners	**-**	**1.2**	**-**	**-**	**-**	**0.1**	**1.4**
Equity at 30 June 2018	**60.5**	**1.2**	**0.6**	**0.6**	**-20.5**	**94.0**	**136.4**

Consolidated statement of cash flows

EUR million	Q2 18	Q2 17	H1 18	H1 17	2017
CASH FLOW FROM OPERATING ACTIVITIES					
Result before taxes	4.2	5.0	2.0	5.7	25.0
Adjustments					
Depreciation, amortisation and impairment	3.5	3.5	7.0	7.1	14.2
Share of profit in associates and income from investments in joint operations	-0.0	0.0	-0.9	-0.9	-0.9
Net gain on sale of non-current assets	-0.4	-0.0	-0.5	-0.0	-1.6
Finance income and costs	0.6	0.4	1.2	0.9	1.9
Other adjustments	-0.0	-0.2	0.1	0.0	0.5
	3.6	3.8	6.8	7.0	14.1
Change in working capital					
Change in inventories, increase (-) / decrease (+)	-8.8	0.5	-15.6	-5.6	1.2
Change in trade and other receivables, increase (-) / decrease (+)	-6.3	-3.0	-4.6	10.4	9.4
Change in trade and other payables, increase (+) / decrease (-)	9.1	10.7	-9.7	-18.9	-2.6
Change in provisions, increase (+) / decrease (-)	-	-0.3	-	-0.9	-1.3
Change in working capital	-6.0	7.9	-29.8	-15.0	6.7
Interest paid	-0.4	-0.5	-0.6	-0.9	-1.7
Interest received	0.0	0.1	0.1	0.1	0.3
Other finance income and expenses paid	-0.0	-0.9	-0.8	-1.0	-2.2
Income taxes paid	-1.2	-1.4	-4.4	-3.1	-4.6
Financial items and taxes	-1.6	-2.7	-5.7	-4.9	-8.2
NET CASH FLOW FROM OPERATING ACTIVITIES	**0.3**	**14.0**	**-26.7**	**-7.1**	**37.6**
CASH FLOW FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment and intangible assets	-2.4	-3.0	-4.7	-5.8	-11.9
Proceeds from sale of property, plant and equipment and intangible assets	0.4	0.0	0.6	0.1	2.6
Proceeds from sale of available-for-sale financial assets	-	-	-	-	0.0
Repayment of loan receivables	0.9	-	0.9	0.3	0.3
Interest received from investments in joint operations	-	-	0.9	0.9	0.9
Dividends received	0.1	0.1	0.1	0.1	0.2
NET CASH FLOW FROM INVESTING ACTIVITIES	**-1.1**	**-2.9**	**-2.2**	**-4.4**	**-7.8**
CASH FLOW FROM FINANCING ACTIVITIES					
Changes in commercial paper program	13.0	-	13.0	-	-
Proceeds from borrowings	-	-	20.0	-	100.0
Repayment of borrowings	-20.0	-	-30.0	-	-72.5
Dividends paid and other distributions of profits	-	-10.4	-	-10.4	-70.5
Share issue, personnel offering	-	-	1.2	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES	**-7.0**	**-10.4**	**4.2**	**-10.4**	**-43.0**
CHANGE IN CASH AND CASH EQUIVALENTS	**-7.8**	**0.7**	**-24.6**	**-22.0**	**-13.2**
Cash and cash equivalents at the beginning of the period	34.1	45.3	52.4	68.0	68.0
Translation differences on cash and cash equivalents	-0.6	-1.0	-2.1	-1.0	-2.5
Change in cash and cash equivalents	-7.8	0.7	-24.6	-22.0	-13.2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**25.7**	**45.1**	**25.7**	**45.1**	**52.4**

Accounting principles

This half year report has been prepared in accordance with the International Financial Reporting Standards (IFRS) and IAS 34 Interim Financial Reporting as approved by the EU. This half year report should be read together with Altia's Financial Statements 2017.

All the figures have been rounded and consequently the sum of individual figures can deviate from the presented aggregate figure.

The Group adopts the guidance on alternative performance measures issued by the European Securities and Market Authority (ESMA). In addition to IFRS key ratios, the Group releases other commonly used alternative key ratios mainly derived from the statement of comprehensive income and the consolidated balance sheet. In addition to IFRS and alternative key ratios, the adjusted alternative key ratios are used by adding or deducting items affecting comparability.

New standards

IFRS 15 – Revenue from Contracts with Customers.

Altia adopted the standard on January 1, 2018. New standard includes a five-step model for the revenue recognition. Under IFRS 15, revenue is recognised when control of a good or service transfers to a customer. Altia adopted the standard using the modified retrospective method which means that the comparatives are not restated and regarding Altia there were no material cumulative impact of the adoption recognized in retained earnings as of 1 January 2018.

As a result of the adopting IFRS 15, there were no significant changes to the timing of revenue recognition.

The steps that will be required to be followed for revenue recognition are the following and comprise the basis for the analysis Altia has completed as part of the adoption process for the new standard:

1. identifying the contract
2. identifying the performance obligations
3. determining the transaction price
4. allocation of the transaction price to each performance obligation (to each distinct good or service promised to the client) on a relative stand-alone selling price basis
5. recognising the revenue when (or as) the performance obligation is satisfied by transferring the good or service to the client.

Altia's revenue comprises mainly sales of alcoholic products, which consists of a portfolio of Altia's own brands and international partner brands. Altia imports, sells and distributes wine, spirits and other beverage products to monopolies, hotels, restaurants, catering business, retail business, whole sale customers and export, border traffic and sea traffic customers. Altia also provides its industrial partners with solutions and services. Altia sells industrial products such as ethanol, starch and feed components and offers contract manufacturing services from distillation to bottling and customer services & logistics to its industrial customers.

IDENTIFYING PERFORMANCE OBLIGATIONS:

In the alcoholic products and industrial product sales each delivered product or batches of products are distinct performance obligations and the customer contracts do not typically contain a separate promise for transportation service. Accordingly, even when the control of the goods transfers to the customer before shipment, Altia does not arrange for the goods to be shipped and does not offer any other transportation or handling service to its customers. If control does not transfer to the customer before shipment, the transportation service is a fulfillment activity and not a distinct service. Accordingly, the transportation service is not a separate performance obligation to be accounted for separately from the sale of goods. In its partner supplier agreements, which entitle Altia to distribute partners' products, Altia acts as a principal towards the end customer having control over the product, discretion in establishing prices and owning the inventory. Accordingly, revenue recognised is the gross amount to which Altia is entitled to in these product sales.

In the contract services to Altia's industrial customers the contracts essentially include of a single performance obligation, being a series of distinct services such as contract manufacturing services, customer services, logistics and warehousing. In these arrangements Altia does not have any control over the product or inventory risk.

DETERMINING THE TRANSACTION PRICE:

Contracts with customers typically include several variable considerations (volume discounts, bonuses, marketing support such as slotting fees, sanctions relating to certain predetermined KPIs or Altia's failure to timely perform its obligations, product returns, differences between a standard cost price and actual costs etc.). Under IFRS 15, an entity needs to estimate the variable consideration and include in the transaction price an amount that fulfils the highly probable criterion. However, Altia has already under the prior revenue recognition standards estimated the variable considerations as part of its revenue recognition process, therefore no restatements have been made in the Group's financial statements.

Under IFRS 15, slotting fees are recognised as a reduction of revenue. Previously the amounts were recognised as expenses. The identified classification differences in regards to returns and slotting fees are not material for Altia and therefore no restatements have been made in the Group's financial statements.

ALLOCATION OF THE TRANSACTION PRICE:

In general the prices represent the stand-alone selling prices and accordingly there is no need to allocate standalone selling price. Further, management view is that the allocation of discounts to each elements in the contract would not result any differences in the amount or timing of revenue recognised because the control of all ordered goods transfers at the same time. In the contract services requirements to allocate variable consideration to a distinct service within the series are met and therefore Altia allocates and recognizes variable consideration in the period it has the contractual right to the fee.

RECOGNISING REVENUE:

As a result of the adopting IFRS 15, there were no significant changes to the timing of revenue recognition.

IFRS 9 – Financial Instruments.

Altia adopted the standard on January 1, 2018. In accordance with transitional provisions, comparative figures have not been restated. All financial assets are subsequently measured at amortised cost, FVOCI or FVPL based on the business model for managing the financial assets and their contractual cash flow characteristics. The IFRS 9 classification did not cause relevant changes in handling these items. Financial assets are derecognised once the Group has lost the contractual right to their cash flows or when it has substantially transferred their risks and rewards to a party outside the Group.

IMPAIRMENT OF FINANCIAL ASSETS

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL). The new impairment model applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The loss allowance for account receivables is based on the aging of the accounts receivable regional portfolios. Receivables more than 120 days due will be impaired with a 50% expected loss rate. The receivables of the monopolies in Finland and Sweden are excluded due to the nature of the customer and related credit risk. Forward looking macro-economic information has been included in the analysis.

Adoption of the ECL model resulted decrease in loss provision as 1.1.2018 and Altia adjusted the opening balance of its retained earnings of EUR 0.1 million.

FINANCIAL LIABILITIES

Adoption of the IFRS 9 had no impact on Altia's classification and measurement of the financial liabilities.

HEDGE ACCOUNTING

The Group applies hedge accounting for certain interest rate, foreign currency and electricity derivatives. Adoption of the IFRS 9 had no impact on hedge relationships.

For cash flow foreign currency hedges under IFRS 9, Altia designates full fair value of the forward contract to the hedge relationship and accordingly no longer bifurcate the forward points for separate recognition through P/L. The effect is insignificant and not adjusted in the opening balance of retained earnings.

IFRS 16 – Leases

IFRS 16 Leases is effective on 1 January 2019 and the new standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the balance sheet.

Based on the Altia's preliminary impact assessment the implementation of IFRS 16 will increase the property, plant and equipment in its balance sheet. Altia does not expect the impact to be significant due to the nature and moderate number of off-balance sheet leases. At the 30 June 2018, the off balance sheet lease obligations amounted to EUR 14.6 million. In the consolidated income statement, the operating expense will decrease while depreciation and interest costs will reflect an increase as the lease expense is no longer classified as an operating expense. This will lead to an improvement in EBITDA by approximately EUR 4–5 million. Altia expects to implement the standard by using a simplified approach where comparative figures will not be restated. The Group is in process to further assess its lease portfolio and quantifying the impact of adopting IFRS 16 and will continue to report on the expected impact in its financial reports.

ALTIA

Segment information

NET SALES BY SEGMENT

EUR million	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16
Finland & Exports	35.4	27.1	40.7	31.4	35.7	26.0	41.1	31.6	33.9	27.3
Scandinavia	27.4	22.5	44.4	26.5	29.7	23.2	45.9	26.7	30.0	25.0
Altia Industrial	24.2	24.0	24.7	26.5	25.9	24.2	24.0	25.6	22.7	22.9
Total	**87.1**	**73.5**	**109.8**	**84.5**	**91.3**	**73.4**	**111.0**	**83.9**	**86.6**	**75.1**

EUR million	Q2 18	Q2 17	Change %	H1 18	H1 17	Change %	2017
Finland & Exports							
Net sales total	35.5	36.0	-1.4	62.7	62.1	1.0	134.4
Net sales, internal	-0.1	-0.2	-50.0	-0.2	-0.3	-33.3	-0.5
Net sales, external	**35.4**	**35.7**	-0.8	**62.5**	**61.8**	1.2	133.9
Scandinavia							
Net sales total	27.6	29.6	-6.8	50.3	52.9	-4.9	124.4
Net sales, internal	-0.2	0.0	-	-0.4	-0.1	300.0	-0.7
Net sales, external	**27.4**	**29.7**	-7.5	**49.9**	**52.8**	-5.5	123.7
Altia Industrial							
Net sales total	36.0	37.6	-4.3	68.3	70.1	-2.6	148.7
Net sales, internal	-11.8	-11.7	0.9	-20.1	-20.1	0.0	-47.4
Net sales, external	**24.2**	**25.9**	-6.3	**48.2**	**50.0**	-3.6	101.3
Group							
Net sales total	99.1	103.2	-4.0	181.3	185.1	-2.1	407.5
Net sales, internal	-12.1	-11.9	1.7	-20.7	-20.5	1.0	-48.6
Net sales, external	**87.1**	**91.3**	**-4.5**	**160.6**	**164.6**	**-2.4**	**359.0**

NET SALES BY PRODUCT CATEGORY

EUR million	Q2 18	Q2 17	Change, %	H1 18	H2 17	Change, %	2017
Spirits	30.7	32.7	-5.9	57.0	58.5	-2.4	125.9
Wine	30.0	30.6	-1.9	51.4	52.2	-1.4	124.7
Other beverages	2.1	2.3	-11.3	4.0	4.1	-4.2	8.4
Industrial products and services	24.2	25.9	-6.3	48.2	50.0	-3.6	101.3
Other	0.1	-0.2		0.0	-0.2		-1.3
Total	**87.1**	**91.3**	**-4.5**	**160.6**	**164.6**	**-2.4**	**359.0**

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COMPARABLE EBITDA BY SEGMENT

EUR million	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16
Finland & Exports	4.6	3.4	7.2	4.0	5.2	3.1	7.7	4.5	4.3	3.6
Scandinavia	1.5	-0.1	8.9	1.0	2.1	-0.5	9.0	1.0	0.7	-0.3
Altia Industrial	2.5	1.4	3.7	4.5	2.6	1.6	2.6	3.4	2.6	-0.2
Other	0.2	0.4	-1.3	0.9	-0.8	0.1	-0.5	1.6	0.2	0.6
TOTAL comparable EBITDA	**8.7**	**5.2**	**18.5**	**10.4**	**9.2**	**4.3**	**18.9**	**10.5**	**7.8**	**3.6**
Items affecting comparability	-0.4	-4.1	-2.2	0.7	-0.2	-0.5	15.7	1.6	2.8	-0.1
EBITDA	**8.3**	**1.1**	**16.3**	**11.1**	**9.0**	**3.8**	**34.6**	**12.1**	**10.6**	**3.6**
Depreciation, amortisation and impairment	-3.5	-3.5	-3.6	-3.6	-3.5	-3.5	-3.7	-3.6	-3.6	-3.6
Operating result	**4.8**	**-2.5**	**12.7**	**7.6**	**5.4**	**0.3**	**30.9**	**8.5**	**7.0**	**-0.0**

Property, plant and equipment and intangible assets

EUR million	Intangible assets	Goodwill	Property, plant and equipment	Total
Acquisition cost at 1 January 2018	148.7	133.3	240.7	522.8
Additions	1.0	-	3.7	4.7
Disposals	-	-	-1.9	-1.9
Effect of movement in exchange rates	-3.4	1.5	-0.3	-2.2
Acquisition cost at 30 June 2018	146.3	134.9	242.3	523.4
Accumulated depreciation, amortisation and impairment losses at 1 January 2018	-114.4	-51.3	-173.3	-339.0
Depreciation and amortisation	-2.8	-	-4.2	-7.0
Accumulated depreciation and amortisation on disposals and transfers	0.0	-	1.6	1.6
Effect of movement in exchange rates	2.7	-3.5	0.2	-0.6
Accumulated depreciation, amortisation and impairment losses at 30 June 2018	-114.5	-54.7	-175.8	-345.0
Carrying amount at 1 January 2018	34.4	82.1	67.4	183.8
Carrying amount at 30 June 2018	**31.8**	**80.1**	**66.5**	**178.4**
Acquisition cost at 1 January 2017	150.4	144.7	245.4	540.6
Additions	2.4	-	3.4	5.8
Disposals	-0.1	-	-2.0	-2.0
Effect of movement in exchange rates	-1.4	-7.0	-0.1	-8.6
Transfers between items	-1.8	-	1.8	0.0
Acquisition cost at 30 June 2017	149.6	137.7	248.5	535.8
Accumulated depreciation, amortisation and impairment losses at 1 January 2017	-113.7	-61.6	-175.4	-350.7
Depreciation and amortisation	-2.7	-	-4.3	-7.1
Accumulated depreciation and amortisation on disposals and transfers	0.1	-	1.9	2.0
Effect of movement in exchange rates	1.3	6.7	0.1	8.1
Transfers between items	1.5	-	-1.5	0.0
Accumulated depreciation, amortisation and impairment losses at 30 June 2017	-113.6	-54.9	-179.2	-347.7
Carrying amount at 1 January 2017	36.7	83.1	70.0	189.9
Carrying amount at 30 June 2017	**36.0**	**82.8**	**69.3**	**188.1**

Related party transactions

The following transactions have taken place with related parties:

EUR million	H1 2018	H1 2017	2017
Sales of goods and services			
Associates and joint operations	0.5	0.4	1.0
Other companies considered related parties	36.4	37.1	82.8
Total	**36.8**	**37.5**	**83.8**
Purchases of goods and services			
Associates and joint operations	1.7	1.2	2.1
Other companies considered related parties	0.7	2.2	4.1
Total	**2.5**	**3.4**	**6.2**
Outstanding balances from sales and purchases			
of goods and services	**30 Jun 2018**	**30 Jun 2017**	**31 Dec 2017**
Trade receivables			
Associates and joint operations	0.1	0.0	0.2
Other companies considered related parties	6.4	6.2	2.8
Trade payables			
Associates and joint operations	0.2	0.2	0.0
Other companies considered related parties	0.1	0.1	0.1

Associated companies

Financial summary of associated companies:

EUR million	30 Jun 2018	30 Jun 2017	31 Dec 2017
Assets	7.0	6.7	5.9
Liabilities	6.9	9.1	7.3
Net assets	0.0	-2.3	-1.5
Net sales	9.0	8.6	17.5
Result for the period	1.5	0.3	1.2

Collaterals, commitments and contingent assets and liabilities

Collaterals and commitments, EUR million	30 Jun 2018	30 Jun 2017	31 Dec 2017
Collaterals given on behalf of Group companies			
Mortgages	18.5	18.5	18.5
Guarantees	5.5	8.0	6.4
Total collaterals	**24.0**	**26.5**	**24.9**
Commitments			
Operating lease obligations			
Less than one year	4.3	4.9	4.8
Between one and five years	10.2	13.0	11.5
More than five years	-	1.8	0.9
Total operating lease obligations	14.6	19.7	17.1
Other commitments	13.7	20.2	19.7
Total commitments	**28.2**	**39.9**	**36.8**

Assets not recognised in the balance sheet			
Emission allowances, kilotons	**30 Jun 2018**	**30 Jun 2017**	**31 Dec 2017**
Emission allowances received	26.9	27.4	27.4
Excess emission allowances from the previous period	45.6	39.2	39.2
Adjustments related to prior year's estimates	0.0	-0.0	-0.0
Realised emissions	-12.8	-9.4	-21.0
Total emission allowances	**59.7**	**57.2**	**45.6**
Fair value of emission allowances (EUR million)	0.9	0.3	0.4

Fair values of financial assets and liabilities

Financial assets, fair value, EUR million	30 Jun 2018	30 Jun 2017	31 Dec 2017
Level 2			
Financial assets at fair value through profit or loss			
Forward exchange contracts	0.4	0.7	0.3
Derivatives, hedge accounting			
Forward exchange contracts	1.0	0.1	0.8
Commodity derivatives	1.1	0.0	0.3
Level 3			
Available-for-sale financial assets			
Unquoted shares	1.4	0.8	1.4

Financial liabilities, fair value, EUR million	30 Jun 2018	30 Jun 2017	31 Dec 2017
Level 2			
Financial liabilities at fair value through profit or loss			
Forward exchange contracts	0.8	0.1	0.0
Commodity derivatives	-	0.1	-
Derivatives, hedge accounting			
Forward exchange contracts	0.1	0.2	0.1
Interest rate derivatives	1.3	1.5	1.4

Key ratios of the Group

		Q2 18	Q2 17	H1 18	H1 17	2017
Income statement						
Net sales	EUR million	87.1	91.3	160.6	164.6	359.0
Comparable EBITDA	EUR million	8.7	9.2	13.8	13.4	42.4
% of net sales	%	9.9	10.0	8.6	8.2	11.8
EBITDA	EUR million	8.3	9.0	9.3	12.8	40.3
Comparable operating result (EBIT)	EUR million	5.2	5.6	6.8	6.3	28.2
% of net sales	%	5.9	6.1	4.2	3.9	7.8
Operating result	EUR million	4.8	5.4	2.3	5.7	26.1
Result before taxes	EUR million	4.2	5.0	2.0	5.7	25.0
Result for the period	EUR million	3.6	3.9	1.7	4.7	18.3
Items affecting comparability	EUR million	-0.4	-0.2	-4.5	-0.6	-2.1
Balance sheet						
Cash and cash equivalents	EUR million			25.7	45.1	52.4
Total equity	EUR million			136.4	184.1	136.8
Borrowings	EUR million			103.1	72.7	100.1
Invested capital	EUR million			239.5	256.8	236.9
Profitability						
Return on equity (ROE), rolling 12 months	%			11.2	18.9	11.1
Return on invested capital (ROI), rolling 12 months	%			7.2	14.3	8.0
Financing and financial position						
Net debt	EUR million			77.4	27.7	47.7
Gearing	%			56.7	15.0	34.9
Equity ratio	%			35.2	45.5	34.3
Net cash flow from operating activities	EUR million	0.3	14.0	-26.7	-7.1	37.6
Net debt/comparable EBITDA, rolling 12 months				1.8	0.6	1.1
Share-based key ratios						
Earnings per share	EUR	0.10	0.11	0.05	0.13	0.51
Equity per share	EUR			3.77	5.12	3.80
Personnel						
Average number of personnel		742	783	723	784	762

Reconciliation of alternative performance measures (APM) to IFRS figures and items affecting comparability (IAC)

EUR million	Q2 18	Q2 17	H1 18	H1 17	2017
Items affecting comparability					
Net gains or losses from business and assets disposals	0.4	-	0.4	-	1.3
Cost for closure of business operations and restructurings	-0.1	-0.2	-0.3	-0.6	-1.1
Major corporate projects					
Costs related to stock exchange listing	-0.7	-	-4.6	-	-2.4
Total items affecting comparability	**-0.4**	**-0.2**	**-4.5**	**-0.6**	**-2.1**
Comparable EBITDA					
Operating result	4.8	5.4	2.3	5.7	26.1
Less:					
Depreciation, amortisation and impairment	3.5	3.5	7.0	7.1	14.2
Total items affecting comparability	0.4	0.2	4.5	0.6	2.1
Comparable EBITDA	**8.7**	**9.2**	**13.8**	**13.4**	**42.4**
% of net sales	9.9	10.0	8.6	8.2	11.8
Comparable EBIT					
Operating result	4.8	5.4	2.3	5.7	26.1
Less:					
Total items affecting comparability	0.4	0.2	4.5	0.6	2.1
Comparable EBIT	**5.2**	**5.6**	**6.8**	**6.3**	**28.2**
% of net sales	5.9	6.1	4.2	3.9	7.8

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Formulas for calculation of key ratios

Key figure	Definition	Reason for the use
Operating margin, %	Operating result / Net sales	Operating result shows result generated by the operating activities.
EBITDA	Operating result before depreciation and amortization	EBITDA is the indicator to measure the performance of the Group.
EBITDA margin, %	EBITDA / Net sales	
Comparable operating result	Operating result excluding items affecting comparability	Comparable EBITDA, comparable EBITDA margin, comparable operating result and comparable operating margin are presented in addition to EBITDA and operating result to reflect the underlying business performance and to enhance comparability from period to period. Altia believes that these comparable performance measures provide meaningful supplemental information by excluding items outside normal business, which reduce comparability between the periods. Comparable EBITDA is an internal measure to assess performance Altia and key performance measure at segment level together with Net Sales. Comparable EBITDA margin is also one of Altia's financial targets. Comparable EBITDA is commonly used as a base for valuation purposes outside the Company and therefore important measure to report regularly.
Comparable operating margin, %	Comparable operating result / Net sales	
Comparable EBITDA	EBITDA excluding items affecting comparability	
Comparable EBITDA margin, %	Comparable EBITDA / Net sales	
Items affecting comparability	Material items outside normal business, such as [net gains or losses from business and assets disposals, impairment losses, cost for closure of business operations and restructurings, major corporate projects including direct transaction costs related to business acquisitions, voluntary pension plan change and costs related to other corporate development].	
Invested capital	Total equity + Borrowings	Base for ROI measure.
Return on equity (ROE), %	Result for the period (rolling 12 months) / Total equity (average 12 months)	This measure can be used to evaluate how efficiently Altia has been able to generate results in relation to the total equity of the Company.
Return on invested capital (ROI), %	(Result for the period + Interest expenses) (rolling 12 months) / (Total equity + Non-current and current borrowings) (average 12 months)	This measure is used to evaluate how efficiently Altia has been able to generate net results in relation to the total investments made to the Company.
Borrowings	Non-current borrowings + Current borrowings	Net debt is an indicator to measure the total external debt financing of the Group.
Net debt	Borrowings – cash and cash equivalents	
Gearing, %	Net debt / Total equity	Gearing ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's indebtedness. Important measure for the loan portfolio.
Equity ratio, %	Total equity / Total assets – Advances received	Equity / assets ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's capital used in the operations.
Net debt / Comparable EBITDA	Net debt / Comparable EBITDA	The level of Net debt / Comparable EBITDA is one of Altia's financial targets.
Earnings / share	Result for the period attributable to shareholders of the parent	.

	company/Share-issue adjusted number of shares during the period
Equity/share	Equity attributable to shareholders of the parent company /Share- issue adjusted number of shares at the end of period

Altia presents alternative performance measures as additional information to the financial measures presented in the consolidated income statement, consolidated balance sheet and consolidated statement of cash flows prepared in accordance with IFRS. In Altia's view, alternative performance measures provide significant additional information on Altia's results of operations, financial position and cash flows to management, investors, analysts and other stakeholders.

Alternative performance measures should not be viewed in isolation or as a substitute for the IFRS financial measures. Companies do not all calculate alternative performance measures in a uniform way, and therefore Altia's alternative performance measures may not be comparable with similarly named measures presented by other companies.

The alternative performance measures are unaudited.